

Message Text

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C O N F I D E N T I A L STATE 153638 TOSEC 050032

EXDIS

FOLLOWING SENT ACTION SECSTATE, INFO JIDDA, TEHRAN, JUNE 29,
FROM CAIRO RPTD TO YOU:

QUOTE C O N F I D E N T I A L CAIRO 6413

EXDIS

TEHRAN FOR UNDERSECRETARY ROBINSON

E.O. 11652: GDS

TAGS: EAID, USEGJC OVIP (ROBINSON, CHARLES W.)

SUBJECT: EMERGENCY AID TO EGYPT

SUMMARY: UNDERSECRETARY ROBINSON, AMBASSADOR AND POATS DISCUSSED
WITH PRESIDENT SADAT, VP MOBAREK AND FOREIGN MINISTER FAHMY, JUNE 28,
STATUS OF US EFFORTS TO ASSIST EGYPT IN RAISING \$1 BILLION IN
ADDITIONAL FINANCING FOR CURRENT IMPORTS IN CY 1975. SADAT
EXPRESSED SATISFACTION AND APPRECIATION. FAHMY SOUGHT EARLY
DECISIONS BY PROSPECTIVE CONTRIBUTORS AND ASSURANCES THAT THEIR AID
WAS NOT RPT NOT CONDITIONAL ON FURTHER PROGRESS ON MIDEAST PEACE
FRONT. SADAT SOUGHT AND RECEIVED ASSURANCE THAT AID PACKAGE WOULD
NOT BE CONDITIONAL ON EGYPT'S ACCEPTANCE OF WORLD BANK ADVICE ON
ECONOMIC POLICY OR REFORMS. END SUMMARY.

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1. UNDERSEC ROBINSON, ACCOMPANIED BY AMBASSADOR AND POATS, MET
WITH PRESIDENT SADAT, VP MOBAREK AND FAHMY JUNE 28 AT BORG-AL-ARAB.
MEETING WAS CALLED AT PRESIDENT'S REQUEST, SINCE SADAT APPEARED TO
BE DESIROUS OF HAVING A PROGRESS REPORT ON OUR EFFORTS TO ORGANIZE

EMERGENCY AID FOR EGYPT.

2. AFTER CONVEYING GREETINGS OF PRESIDENT FORD AND SECRETARY KISSINGER, UNDERSEC RECALLED HE HAD MET IN EUROPE WITH FRENCH AND GERMANS AS WELL AS ANSARY TO TALK ABOUT PROGRAM. JAPANESE HAVE ALSO BEEN CONTACTED. HE WAS PLEASED TO REPORT THAT WHILE THERE ARE PROBLEMS, PROGRESS IS BEING MADE AND WE HOPE SHORTLY TO BE ABLE TO ANNOUNCE THE PROGRAM. WE RECOGNIZE GOE HAS A SPECIAL PROBLEM IN MEETING ITS B/P DEFICIT. WE HAVE BEEN TRYING TO PUT TOGETHER A GROUP OF DONORS TO HELP WITH THIS PROBLEM OVER AND ABOVE REGULAR PROJECT LOANS. IT IS DIFFICULT TO OBTAIN B/P DEFICIT SUPPORT BECAUSE IT REFLECTS THE PAST RATHER THAN THE FUTURE. NEVERTHELESS, IN NEXT FEW MONTHS, WE HOPE TO HAVE AVAILABLE ABOUT \$250 MILLION OF US ASSISTANCE. BALANCE WILL BE OBTAINED FROM EUROPE, JAPAN, IRAN AND SAUDI ARABIA. UNDERSEC NOTED HE WAS GOING TO SAUDI ARABIA FROM HERE AND WOULD, AMONG OTHER THINGS, DISCUSS WHETHER PROMISED \$250 MILLION SAUDI CONTRIBUTION IS OVER AND ABOVE THE \$600 MILLION SAUDIS HAVE ANNOUNCED. HE HOPED THAT IMMEDIATE AID IN NEXT FEW MONTHS WOULD BE IN THE ORDER OF \$1 BILLION.

3. UNDERSEC THEN OUTLINED OUR TENTATIVE PLANS TO REQUEST FY76 ASSISTANCE FROM THE CONGRESS FOR EGYPT. WE ALSO HOPE TO OBTAIN ADDITIONAL CONTRIBUTIONS FROM OTHERS OVER THE NEXT 12 MONTHS. AMBASSADOR ADVISED THAT HE WOULD SIGN IN NEXT TWO DAYS NEW CIP LOAN OF \$70 MILLION (AS FIRST INCREMENT OF PLANNED US CONTRIBUTION OF \$250 MILLION IN AID IMPORT FINANCING) PLUS PL 480 WHEAT ADD ON OF ABOUT \$8 MILLION AND AID SILOS PROJECT LOAN.

4. UNDERSEC POINTED OUT THAT TOTAL US AID TO EGYPT IN CY 1975, BOTH ALREADY COMMITTED AND PLANNED, WOULD TOTAL DOLLARS \$518 MILLION -- \$480 MILLION IN NON-PROJECT, IMPORT FINANCING AND \$110 MILLION IN PROJECT AID. FAHMY REQUESTED WRITTEN CLARIFICATION OF RELATIONSHIP OF CY1975 AID PROGRAM TO PROJECTED FY1976 AID FOR EGYPT AS DISCUSSED AT SALZBURG. HE INDICATED GOE UNDERSTANDS LATTER MUST AWAIT PRESENTATION TO CONGRESS AT APPROPRIATE TIME. AMBASSADOR UNDERTOOK PROVIDE FAHMY WITH COPY OF PERTINENT AIDE MEMOIRE EARLIER GIVEN TO ABU ISMAIL, BUT AGAIN STRESSED IMPORTANCE OF AVOIDING ANY CONFIDENTIAL

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PRESS LEAKS ON FIGURES BEFORE PRESENTATION OF AID LOAN TO CONGRESS.

5. IN RESPONSE TO EGYPTIAN QURERY WHEN PROGRAM MIGHT BE ANNOUNCED, UNDERSEC INDICATED WE ARE HOPEFUL SOMETHING MIGHT BE SAID BY MIDDLE OF JULY. UNDERSEC STRESSED WE ARE NOT SEEKING CREDIT FOR PROGRAM, BUT ARE DOING IT FOR SADAT. SUPPORT PROGRAM IS GETTING IS AN EXPRESSION OF CONFIDENCE IN THE PRESIDENT. UNDERSEC POINTED OUT DONORS ARE USUALLY RELUCTANT TO PROVIDE CURRENT ACCOUNT SUPPORT. THEY EXPRESS SOME CONCERN RE CABINET STEPS TO ESTABLISH A VIABLE ECONOMIC PLAN, MANAGE FOREIGN EXCHANGE ALLOCATIONS ETC. IN THIS CONNECTION, IT IS IMPORTANT HAVE IBRD AS ADVISOR. THIS PERMITS PROSPECTIVE DONORS BE ASSURED SOUND GROWING ECONOMY IS BEING DEVELOPED. WE HAVE BEEN WORKING WITH MINFINANCE ABU ISMAIL, WHO IS

SINCERE AND UNDERSTANDS PROBLEM, AND HAVE A SENSE OF CONFIDENCE IN THE LONGER FUTURE OF THE ECONOMY. WE BELIEVE EGYPT IS MOVING TOWARD A VIABLE ECONOMIC PLAN. SUEZ CANAL REOPENING WAS A GREAT SUCCESS AND APPLAUDED EVERYWHERE. WE ARE ANXIOUS TO ASSIST IN MAINTAINING SADAT'S GOVERNMENT AS A FACTOR FOR PEACE IN THE AREA AND WILL DO EVERYTHING WE CAN TO MAKE THIS POSSIBLE. BY WORKING TOGETHER WE CAN MAKE IT EASIER TO GET OTHER COUNTRIES TO RESPOND. DUTCH, GERMANS, FRENCH AND JAPANESE ARE READY TO PARTICIPATE. WE ARE TRYING TO GET THEM TO INCREASE THEIR CONTRIBUTIONS. FAHMY COMMENTED THAT UK IS ALSO WILLING TO PARTICIPATE SYMBOLICALLY IN THE AMOUNT OF 5 TO 10 MILLION POUNDS. HE HAD RECENTLY SPOKEN TO WILSON AND CALLAGHAN ABOUT THIS. SPAIN IS ALSO CONSIDERING DOING SO. HE HAD SUGGESTED THESE COUNTRIES CONTACT US.

6. UNDERSEC THEN ALLUDED TO COMMERCIAL BANK ASPECT OF THE PROBLEM AND IMPORTANCE OF RENEGOTIATING EXISTING SHORT TERM LOANS ON MORE FAVORABLE TERMS. HE HAD TALKED WITH SEVERAL AMERICAN BANKS ABOUT THIS AND WAS CONFIDENT THAT ONCE EMERGENCY RELIEF ASSISTANCE PROGRAM IS ANNOUNCED, COMMERCIAL BANKS WILL BE WILLING TO NEGOTIATE REFINANCING ON BETTER TERMS.

7. AFTER HEARING UNDERC'S COMMENTS, SADAT EXPRESSED HIS GRATIFICATION. HE EXPRESSED HOPE, HOWEVER, THAT IBRD AS AN ADVISOR TO GOE WOULD NOT SEEK TO PUT "CONDITIONS". UNDERSEC NOTED IBRD OFFERS ADVICE AND COUNSEL. WE HAD ONLY TOLD DONORS THAT IBRD WOULD ADVISE. THERE ARE NO CONDITIONS. WE ALSO BELIEVE THAT IBRD MAY BE WILLING AGAIN TO OFFER A SUBSTANTIAL LOAN, THOUGH ITS DECISION WILL BE BASED ON ITS JUDGMENT OF GOE MANAGEMENT. POATS NOTED MOST OF CONFIDENTIAL

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IBRD LOAN LIKELY TO BE PROJECT, SINCE WORLD BANK DOES NOT NORMALLY LIKE NON-PROJECT IMPORT LOANS.

8. FAHMY ASKED WHEN PROGRAM MIGHT BE FINALIZED. UNDERSEC RESPONDED THAT THIS MIGHT BE POSSIBLE IN JULY. FAHMY EXPRESSED CONCERN THAT IT NOT BE LINKED TO FURTHER PROGRESS ON PEACE SETTLEMENT. UNDERSEC OBSERVED WE DO NOT WANT TO GO TO CONGRESS FOR AID TO ISRAEL UNTIL THE LATTER IS MORE FLEXIBLE. IN RESPONSE SADAT'S QUERY ABOUT WHEN OTHERS MIGHT PROCEED, UNDERSEC SAID WE HAD ASKED THEM TO DO SO IN JULY.

9. PRESIDENT THATN PROVIDED MILITARY AIRCRAFT FOR UNDERSEC AND PARTY TO RETURN TO CAIRO IN TIME FOR SCHEDULED MEETING WITH MINFINANCE
ABU ISMAIL. MEETING BEING REPORTED SEPTEL. EILTS UNQUOTE.
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